

The Depression of

The long period of depression which began with panics in Austria and the United States in 1873, and which had hardly terminated six years later, followed some of the most remarkable experiences of the waste of national resources, the sinking of capital, and changes in the economic order which the world has ever seen. National resources were wasted like water in three great wars, — that of Secession in the United States, that of Italy against Austria in 1866, and that of France against Germany in 1870. The direct cost of the American war, exclusive of pensions, was estimated at more than \$5,500,000,000, to the government of the United States alone, exclusive of the cost to the South, the injury to private property, and the drain upon the productive power of the country.³ The cost of the Franco-Prussian War, brief as its military operations proved to be, was estimated at a total, direct and indirect, of \$2,700,000,000, of which \$2, 125,000,000 was the share of France and \$575,000,000 the share of Germany.² The effect of an important war upon credit is to compel a forced liquidation of business transactions in advance of the time which would be set by the normal movements of a credit cycle. If this was the case during the Napoleonic wars, it has been more strikingly the case under modern conditions, with the great expansion of credit which they have involved. The United States, having escaped the crisis of 1866 by the forced liquidations of 1860 and 1861, was ripe for an explosion in 1873 ; while France, having been forced to liquidation in 1870, felt only the ripples of the crisis of 1873, which were wafted back from the storm in other countries.

The absorption of capital in great enterprises during the ten years prior to 1873 was as great as its waste in war. The average annual increase of railways in the United States from 1860 to 1867 was 1311 miles. The increase in 1869 was 4953 miles ; in 1870, 5690 miles ; in 1871, 7670 miles ; in

¹ Bolles, III., 244.

² Giffen, I., 76.